

Financial Institutions Division
Insurance/Actuarial
(651) 296-4976

July 2010

TO: The Chief Executive Officer of Minnesota Licensed Insurance Companies,
Fraternal Benefit Societies, and Other Interested Parties

FROM: Kevin M. Murphy
Deputy Commissioner of Commerce

RE: Legislative Changes to Minn. Stat. Chapter 64B, 61A, 66A, 61B

The Commerce Department's legislative proposal concerning insurers and fraternal benefit societies was incorporated into Senate File 2825. The bill was passed by the Minnesota Legislature and signed into law by Governor Pawlenty. The pertinent portions of the Department's proposal are summarized below. The full text of the bill is available on the internet. (Note 1) Senate File 2825 has an effective date of Augusts 1, 2010; however, the provisions of the bill that relate to financial filings will apply beginning with annual statements filed after January 1, 2011.

Article 2 of the bill deals with fraternal benefit societies. It establishes risk based capital reporting requirements and related corrective remedies available to the Department in the case of a "Fraternal action level event" as that term is defined in the statute. We recommend that all fraternal benefit societies licensed to operate in Minnesota carefully review the provisions of Article 2.

Article 1 of Senate File 2825

Section No.	Affected Statute	Effective Date
7	61A.245 – Subd. 3 is amended to add language to the required contract provisions such that a death benefit payable under a contract may not be treated as a <i>surrender</i> of the annuity or otherwise impose a surrender penalty.	January 1, 2011
8, 9	61A.257 – Subd. 2 is amended to allow the commissioner to grant permission to an insurer to utilize the 2001 CSO Preferred Class Structure Mortality Table for policies issued on or after January 1, 2004 and prior to January 1, 2007. Subd. 3 is amended to provide guidance as regards the reporting basis for the use of the referenced tables.	April 27, 2010
10	61B.19 – Subd. 3 expands the Limitation of Coverage by the Minnesota Life and Health Guaranty Association to include policies providing any hospital, medical, prescription drug, or other health care benefits pursuant to what is commonly referred to as Medicare Part C & D, or any regulations issued under those provisions.	August 1, 2010
11	61B.19 – Subd. 4 revises the Limitation of Benefits to increase guaranty fund coverage for annuity benefits to \$250,000; and makes revisions to the illustrations to reflect changes in the dollar values based on changes in limitations.	August 1, 2010
12	61B.28 – Subd. 7 revises the notice requirements to allow the notice concerning limitations and exclusions to be delivered at <i>either</i> the time of application for the policy or contract <i>or</i> at the time of delivery of the policy or contract.	August 1, 2010
13	66A.40 – Subd. 11 is revised to provide clarification through a restatement that the sale of “securities” of a reorganized insurance company should be sale of “common or preferred stock”.	August 1, 2010
14	66A.42 – revises current language to include all mutual companies vs. originally referring only to life companies, an unintended exclusion of other mutual companies.	August 1, 2010

Article 2 of Senate File 2825
Fraternal Benefit Societies

Section No.	Affected Statute	Effective Date
1	64B.19 – Subd. 4a provides that a fraternal benefit society must provide 90 days notice to the Commissioner of any intentions to make assessments.	August 1, 2010
2	64B.40 – Subd. 2 through 11 provide definitions for terms used throughout the Act.	August 1, 2010
3	64B.41 – 64B.48 provides requirements for fraternal societies to prepare and submit Risk-Based Capital (RBC) reports; describes the term “Fraternal Action Level Event” and its related consequences and actions of the commissioner; describes the term “Authorized Control Level Event” and rules applicable to the use and distribution of the RBC level in publications.	August 1, 2010

Note 1: The above summary is provided for your convenience and is not intended as legal advice. The statute and the changes thereto are complex and reference to the bill is recommended. The bill may be obtained by accessing the following link:

<https://www.revisor.mn.gov/data/revisor/law/2010/0/2010-275.pdf>